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Japanese Market for Processed Foods

The World Bank and Agriculture

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Paraguayan cowboys relax after a cattle roundup. World Bank and IDA funds are assisting a livestock development program in Paraguay. See story on page 6.

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A U.S. baby food exporter watches a Japanese housewife select one of his products from a supermarket shelf.

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Market opportunities in Japan have never been brighter for U.S. consumer-ready foods than at the present time. Some of the factors which have brought about the increased demand for imported processed foods are: rapidly rising per capita purchasing power, changing food consumption patterns, record foreign exchange holdings, declining agricultural output, severe labor shortages on farms and in food processing plants, and import liberalization of several processed foods.

Trade teams and individual businessmen from several countries are currently flocking to Japan with order books in hand in an effort to capitalize on new market opportunities. A significant number have recently signed agent agreements with Japanese trading companies and others are negotiating agreements. Other foreign businessmen are negotiating long-term supply contracts for canned and frozen fruits and vegetables and other processed foods with large Japanese supermarket chains.

Japan's spectacular economic growth in the last 15 years has had a dramatic impact on the food consumption pattern of the Japanese people. (*Foreign Agriculture,* Jan. 11, 1971.) Furthermore, the dietary pattern is expected to continue to change rapidly in the years ahead as Japanese consumers become even more affluent. This, combined

Rising Income, Labor Deficit Spur Japan's Processed Food Imports

Rapidly rising per capita purchasing power and changing food consumption patterns are partially responsible for boom in Japanese processed food market.

with lower self-sufficiency in agricultural production, will lead to strong pressures for increased imports of agricultural products to hold down consumer prices.

Food prices have been the object of much consumer criticism in the last year or so as vaulting vegetable prices have escalated a general food price level that is already one of the highest in the world. Housewives' groups are becoming increasingly vocal in demanding that more food imports be allowed to hold down prices, and pressure is mounting for Government action.

Japanese farmers are being called upon to produce more foods, particularly vegetables and animal products, to satisfy the varied demands of an increasingly affluent population. Yet, Japan's self-sufficiency rate in food production dropped from 89 percent in 1960 to 80 percent in 1970, and this downward trend is expected to continue as farm labor shortages grow.

According to the Japanese Ministry of Agriculture and Forestry's 1970 "White Paper on Agriculture," released in April 1971, the total farm population in 1969 declined to 8.6 million, showing an annual average decrease of 3.9 percent over the last decade. As of January 1, 1970, women accounted for 57 percent of the population engaged in farming and men over 60 years of age accounted for 12 percent.

The above statistics indicate the labor shortages on Japan's farms will become much more severe in the next few years. The problem will be particularly acute with labor-intensive farm enterprises such as vegetable raising.

Japan's overall tight labor supply situation is also resulting in sharply higher food processing and marketing costs. Small, inefficient food-processing firms are feeling the impact of the labor shortage and, as a result, many are going out of business.

U.S. businessmen studying the Japanese market for consumer-ready foods will want to take a close look, however, at trade obstacles as well as opportunities. Major trade barriers affecting imported foods include the Japanese Import Quota System, very rigid food additive regulations, and high tariffs and import surcharges on certain items, particularly meat products.

There are a number of quantitative import restrictions currently in effect which establish a limit on imports of some foods. Furthermore, public notice of the exact quantity of the quota is rarely made. As a result, potential U.S. exporters find it very difficult to determine what quantity of imports will be authorized and which Japanese importers have import allocations and the size of their allocations.

Quotas are generally allocated to a relatively small group of importers who have a history of importing those commodities under quota and who have developed their trading channels over the years. This system favors those who are already in the market, in many cases to the virtual exclusion of newcomers. U.S. exporters interested in shipping consumer-ready foods still controlled by Japan's import quota system have no alternative but to seek business ties with trading companies which are currently quota holders.

Japan's food additive regulations affecting imported foods are rigidly enforced and potential exporters to this market would be wise to study this complex subject. A good place to start would be to obtain and study carefully the Japanese Food Sanitation Law, particularly the sections dealing with food additives.

The Food Chemistry Section of the Environmental Sanitation Bureau, Japanese Ministry of Health and Welfare, has published pamphlets explaining Japan's food additive regulations. Some of these have summaries in English.

An absolute must for U.S. exporters is a careful review of the Japanese Government's list of authorized food additives which includes the specified use and limitations or restrictions on approved additives. This information can

be obtained from the Export Trade Services Division, Foreign Agricultural Service, USDA, and the U.S. Agricultural Attaché Office, Tokyo. The Japanese Embassy, Japanese consulates, and most of the larger Japanese trading company offices in the United States can also give U.S. exporters information regarding Japan's food additive regulations.

While Japanese import duties on raw agricultural commodities are generally low or moderate, tariffs on consumer-ready foods often run high and in some instances effectively eliminate foreign competition for similar domestically produced foods. The complete Japanese import tariff schedule in English is contained in the publication "Customs Tariff Schedule of Japan." Copies are available at a cost of $9.75 from the Japan Tariff Council, Tokyo.

Tariff information on specific commodities can be obtained from the Export Trade Services Division of the Foreign Agricultural Service, USDA; the U.S. Agricultural Attaché, American Embassy, Tokyo; the Japanese Embassy in Washington; and consulates general located in San Francisco, Seattle, Chicago, New Orleans, New York, Houston, Portland, Honolulu, Los Angeles, and Anchorage. Japanese trading company offices located throughout the United States can also provide details regarding Japan's import tariffs.

U.S. businessmen visiting Japan often see the high retail prices for foods and immediately conclude that their products would be competitive pricewise in the Japanese market. Care must be exercised, however, in forming hasty judgments which might lead to heavy losses in the long run.

Retail prices for beef and beef products, for example, are very high—$4 to $5 per pound for top cuts—reflecting strong demand and limited supplies. Before concluding that the imported product would be competitively priced by the time it reaches the supermarket shelf, many factors must be considered. These factors include the 25 percent import duty on beef (applied to the c.i.f. value), the import surcharge ranging from about 1.25 cents to 3.75 cents per pound depending upon the beef cuts, and the high distribution costs and margins resulting from the complex multilayer meat marketing system.

In Japan one often hears the phrase "Western influence" and sees its widespread impact every day. Yet, most of the country's business is still conducted "Japanese style." The American coming to Japan often tries to keep a foot in both worlds of business, and he all too frequently finds out the hard way that it does not work.

A prerequisite for the U.S. exporter just getting into the market is to become acquainted with the Japanese trading firm—the traditional middleman in Japanese trade. Over 95 percent of Japan's agricultural imports from the United States are handled by Japanese trading companies, and the 10 largest firms alone move about 75 percent.

Some U.S. exporters team up with established Japanese food companies, finding that this is a most effective way to introduce their products to consumers.

Today, the trend in world trade seems to be moving toward direct contact between seller and buyer as sales volume grows. In Japan, however, the position of the trading firm is still dominant, and direct sales are the exception rather than the rule.

The reasons for the dominance of the trading company in Japan's external trade are both historical and commercial. Many of the large firms came into operation about 100 years ago when Japan suddenly opened its doors to the Western world. Some form of business institution was needed to deal with foreign traders. As the volume of trade grew, the specialized trading firms began to act as intermediaries between the foreigner and the Japanese businessman who generally was neither familiar with foreign business practices nor knew foreign languages.

The selection of the right firm to act as an agent in Japan is not easy. In most cases the choice is a trading company and often one with branch offices in the United States. Interested U.S. businessmen are urged to visit Japan to discuss agent agreements with several Japanese firms before tying up with one company.

U.S. exporters will find the food processing and distribution systems in Japan quite different and generally less efficient than those in the United States. But modernization in both food processing and distribution is underway.

More Western-type foods are being processed in large, modern plants, and expansion in this field is expected to gain momentum in the near future. It appears likely that frozen foods will soon achieve a very important position in the Japanese market.

A supermarket explosion is leading the revolution now underway in food retailing. Recently, several of Japan's largest trading companies have begun moving rapidly into the supermarket business by establishing various ties with the major supermarket chains. These ties will make it much easier in the future for imported consumer-ready foods to move directly to supermarkets rather than go through the traditional multilayered distribution system.

Most Americans doing business in Japan have found it difficult to devise an effective sales program for new food products. In the consumer market the

(Continued on page 16)

International Cotton Group Debates Stocks and Prices

Representatives at the 30th Annual Plenary Meeting of the International Cotton Advisory Committee (ICAC), held in Guatemala City, Guatemala, in mid-June, heard U.S. delegate Kenneth E. Frick call for sharing of world cotton stocks and a study of the price question.

Mr. Frick, Administrator, Agricultural Stabilization Service, USDA, was reelected chairman of the ICAC Standing Committee.

The annual meetings of the ICAC—an international organization of 43 countries engaged in the production, export, import, or consumption of cotton—provide a forum for international consultation and promote cooperation in the solution of cotton problems, particularly those of international scope and significance.

This year some 200 delegates, advisers, and observers discussed, among other things, ways to brighten the world cotton picture, which is clouded by a tight supply situation, prospects of a decreased carryover at the end of the present season, and continued intense competition with manmade and other natural fibers.

In delivering the U.S. cotton policy statement at the meeting Mr. Frick said that the United States intends to compete vigorously in the world cotton market.

He emphasized that the United States "does not intend again to carry the burden of most of world (cotton) stocks. Under the new cotton legislation enacted in 1970, our loan rate for upland cotton will follow world prices. Other legislation requires us to maintain competitive prices so that U.S. cotton will sell freely in world markets and we intend to do so. If and when world cotton production comes into better balance with offtake (consumption), other producing countries must be prepared to carry their share of responsibility for providing adequate stocks each year."

At the present time world cotton stocks are at their lowest in almost 10 years and U.S. cotton stocks currently represent about 25 percent of world stocks as compared with 55 percent held in the United States 5 years ago. Noting the tight world supply situation, Mr. Frick said that by the close of the current season on August 1, world stocks are expected to be about 18.7 million bales or a little more than 4 months' supply.

"While unfavorable weather and insect infestations have cut production in many countries during recent years, the fact remains that much of this drawdown in stocks has resulted from less acreage being planted to cotton," Mr. Frick told the committee.

Turning to price, Mr. Frick said "the question of the optimum price level for cotton deserves much attention at this plenary meeting." He referred to recent increases in the price of raw cotton, saying: "As we all know, international cotton prices during the previous 2 years were not attractive to producers. While they permitted some improvement in cotton's competitive position with respect to manmade fibers, they did not encourage sufficient cotton production, bringing on the current tight supply situation. Thus, there are some reasons to be pleased at the recent price increases. In view of increasing producton costs and the worldwide problem of inflation, perhaps a moderate increase in cotton prices is desirable and can be sustained without impairing cotton's competitive position in the fiber market. However, I am sure that none of us want to see another precipitous increase in prices similar to that which occurred in 1967."

The tight supply situation "should not be allowed to divert our attention from the benefits to be derived from a well-conceived and well-financed program of research and promotion for cotton," Mr. Frick added. He noted the support given domestic cotton research and promotion by the U.S. Government and cotton industry and suggested that other countries consider the benefits of expanding their own programs.

Producers, USDA Promote Cotton Sales

A concerted effort by the cotton trade and the U.S. Department of Agriculture to enable U.S. cotton producers to take advantage of present uptrends in U.S. and world cotton consumption was recently announced by Secretary of Agriculture Clifford M. Hardin.

Responding to a request from the National Cotton Council, Secretary Hardin said he had instructed the USDA Extension Service, the Agricultural Research Service, the Economic Research Service, and the Agricultural Stabilization and Conservation Service to assist the cotton industry "above and beyond the day-to-day services that are always available to them."

The Department, Secretary Hardin said, will supply information on the latest marketing conditions and will encourage every economically sound cultural practice that increases cotton yields consistent with good quality. These include such practices as insect management, weed control, irrigation, and harvesting practices.

Secretary Hardin noted, however, that "improved marketing opportunities both here and abroad make it essential that an adequate supply of cotton be available to meet the demand. Unless this happens," he said, "competition from other fabrics will move in and recapture the advantage, and much of cotton's gains will be lost.

"In the final analysis," Secretary Hardin said, "it will be up to the growers themselves to protect their markets from competition by supplying their cotton whenever there is a demand for it."

International Financing Organizations:

How they help trade

Part II: The World Bank Group

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World Bank commitments for agriculture exceeded $412 million in fiscal 1970. Funds were earmarked for a variety of projects such as livestock development in Paraguay.

The World Bank Group includes the International Bank for Reconstruction and Development (IBRD) and its affiliates—the International Finance Corporation (IFC) and the International Development Association (IDA). Loans by the World Bank Group are directed mainly to helping member nations lay the foundation for overall economic growth which, among other things, will promote agricultural development.

The functions of the World Bank and its affiliates are extremely important to world trade. Agricultural development generally spurs overall economic development in the less-developed nations, and with economic growth such nations have more to export. With the earnings from exports, less-developed nations can increase their imports—a portion of which may be U.S. farm products.

During the past 5 years agricultural loans supplied by the World Bank Group surpassed the total of the previous 16 years. In fiscal 1970 alone, total commitments for agricultural development exceeded $412 million, roughly one-fifth of the cumulative value of the Group's total agricultural loans. In fact, of the $2 billion in total funds committed to agricultural development by IBRD and IDA, about 40 percent has been lent in the past 2 years.

While commitments for farm machinery, irrigation, and flood control continue to be foremost, the rapid expansion of lending for agricultural credit is enabling less-developed countries to apply new technology to their agricultural sectors. This encourages farmers to invest in on-farm improvements which will increase the level and quality of farm products. It also enables processors of agricultural items to improve the marketability of their products. By the close of FY 1970, loans for agricultural credit totaled close to $359 million.

The Bank Group also recognizes the importance to agriculture, and other economic sectors, of a well-developed infrastructure. For example, there is a growing need in less-developed countries for electric power so that modern equipment can be used in the production and processing of agricultural products. And better railways, roads, ports, and waterways are necessary for the efficient marketing of their agricultural products. Therefore, three-fifths of the value of the Group's total commitments have been directed to the improvement and expansion of electric power and transportation facilities.

The *International Bank for Reconstruction and Development*, the initial member of the World Bank Group, was established on December 27, 1945, when 44 nations signed the necessary Articles of Agreement which had been formulated at the 1944 Bretton Woods Conference. (The Conference laid the foundation for present day international monetary organizations.) The IBRD became operational in 1946 with a total of 37 members. By mid-1970 there were 105 members.

This is the second in a series of articles examining the role that international monetary organizations play in world agricultural trade. See Foreign Agriculture, *May 31, 1971.*

Any country which is a member of the International Monetary Fund (*Foreign Agriculture,* May 31, 1971) can apply for membership in the IBRD. Fund membership assures the Bank that the applicant country will, as a Bank member, observe accepted rules of international financial conduct and will provide the economic information necessary for the Bank to assess its credit worthiness when loans are requested.

The IBRD directs its attention to economic development, and in addition to providing development financing, supplies technical assistance to less-developed countries. In doing so, the Bank makes a determination regarding the country's overall economic needs and its potential for growth, then assists the country in formulating and evaluating development programs. It also offers a variety of training programs and is the Bank Group's liaison with development finance companies operating within member countries.

The Bank has been making agricultural loans since 1948. It originally emphasized loans for agricultural machinery because of desperate shortages in less-developed countries. During the late fifties and early sixties, the emphasis shifted more to loans for irrigation and flood control. While such loans remain of major importance, IBRD is also endeavoring to provide more funds for the expansion of agricultural credit and technical assistance.

By June 30, 1970, the Bank had provided 88 countries with a combined total of 705 loans worth $14.3 billion. Over 65 percent of this total was directed to infrastructure development, especially electric power ($4.6 billion) and transportation ($4.4 billion). Agricultural loans ($1.2 billion) equaled roughly one-tenth of total Bank commitments. The majority of these loans were designated for flood control, irrigation, livestock improvement, and agricultural credit expansion. Over two-fifths of the Bank's total agricultural loans were made to countries in Asia and the Middle East. An additional one-third went to Western Hemisphere members.

During the fiscal year ending June 30, 1970, Bank loans for all purposes amounted to $1.7 billion. Agricultural loans equaled $188 million and transportation and electric power jointly totaled $1 billion.

Although the transportation and electric power commitments were widely disbursed among members, three (Morocco, the Philippines, and Spain) accounted for almost three-fifths of the value of agricultural loans. Morocco borrowed $46 million for an irrigation project which is part of Sebou Basin development. The Philippines received $34 million to increase rural credit and to finance additional rice processing and storage facilities. Spain's $25 million loan was applied to livestock development which included pasture improvement and technical assistance.

The *International Finance Corporation* (IFC) became an operational supplement to IBRD in 1956. It was established to fill a need in the international financial structure which the IBRD's Articles of Agreement prevented it from providing. This was the need for direct equity and loan capital by private enterprise.

Membership in the IBRD is a prerequisite for membership in IFC. The Governors and Executive Directors of the Bank are also officials of IFC if their countries are members of both organizations. IFC has its own operations and legal staff but receives many administrative services from the Bank.

Unlike the IBRD, the Corporation may loan directly to private enterprise operating within a member country without requiring the member government's guarantee. This is especially helpful to newly developing businesses (such as food-processing and fertilizer industries), which might not be able to secure a government guarantee. The IFC is the only multilateral financial institution authorized to acquire capital shares of the enterprise receiving its financial assistance.

WORLD BANK GROUP LOANS, FISCAL YEARS 1948 THROUGH 1970

Purpose	IBRD loans [1]					IDA credits [1]				
	Africa	Asia, Australia, and Middle East	Europe	Western Hemisphere	Total	Africa	Asia and Middle East	Europe	Western Hemisphere	Total
	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.
Agriculture, forestry, and fishing:										
Farm mechanization	5	9	2	8	24	—	—	—	—	—
Irrigation and flood control	81	430	85	111	707	39	251	32	—	322
Land clearance, farm improvement	24	45	2	9	81	27	—	—	—	27
Crop processing and storage	5	2	4	1	12	7	19	—	—	26
Livestock improvement	5	4	25	169	203	8	—	—	23	31
Forestry and fishing	8	22	6	5	42	1	—	—	—	1
Agricultural credit	43	24	—	130	197	21	140	—	—	162
Smallholders and plantations	28	—	—	—	28	17	40	—	—	56
Total [2]	199	537	125	434	1,294	120	450	32	23	625
Transportation:										
Roads	249	792	196	834	2,071	229	150	—	77	456
Railways	447	776	272	194	1,689	27	327	—	—	353
Ports and waterways	170	169	98	45	482	12	26	—	—	37
Other	50	71	20	23	164	—	—	—	—	—
Total [2]	916	1,808	586	1,096	4,405	267	520	—	77	847
Electric power	512	1,104	646	2,379	4,642	15	90	26	32	163
Other [3]	387	1,693	1,208	444	3,933	146	947	35	11	1,139
Grand total [3]	2,015	5,143	2,565	4,352	14,275	548	1,990	92	143	2,773

[1] Initial commitments minus cancellations and refundings. [2] Numbers in categories may not add to total due to rounding. [3] Includes industry (largest percentage), education, and family planning. Source: International Bank for Reconstruction and Development, World Bank/International Development Association, *Annual Report 1970.*

Beyond direct loans and the purchase of capital shares, the Corporation encourages general investor participation in the growth of less-developed countries by underwriting and standby agreements in support of security issues. In this way it promotes economic development by encouraging the development of local capital markets and the international movement of private capital to less-developed countries.

By June 30, 1970, the IFC had 94 members and had made cumulative gross commitments of $476.5 million. Agricultural and fertilizer commitments each accounted for 12 percent of the total. Development banks received 9 percent. The largest agricultural commitments involved the expansion of the sugar industry in Ethiopia and Tanzania; food processing in Colombia, Chile, and Morocco; and livestock improvement in Colombia. Funds for the textile industry were widely disbursed among members, but two countries (Brazil and India) received two-thirds of the value of fertilizer commitments.

During the 1957-70 period, roughly 40 percent of IFC's total gross commitments were made to countries in Latin America and the Caribbean; an additional 30 percent went to Asia and the Middle East. Africa received most of the remainder. For every dollar that IFC committed during this period other investors supplied nearly $5.50. In other words, IFC backing resulted in the private enterprise of member countries receiving total gross commitments of $2.6 billion.

The International Development Association (IDA), the third member of the World Bank Group, was established in 1960 to answer a demand for highly concessional development financing for developing countries which were rapidly adding to their external debt, especially short-term, high-interest credits.

IDA provides loans to less-developed countries at the most concessionary repayment terms available. To date all IDA loans have been extended as interest-free credits, repayable in 50 years with the first installment of principal due 10 years after the loan was made. A 0.75 percent annual service charge is required of the borrower. IDA provides funds to its poorest members for high-priority economic development projects with funds obtained from its richer members, the members' initial subscriptions, transfers from the World Bank, and its own accumulated net income. Membership totaled 105 countries at the close of fiscal 1970.

Above, IBRD loan aids expansion of a textile mill in Taiwan. Below, loan funds land development in Malaysia.

The net cumulative total of the 221 credits approved by IDA through June 1970 reached $2.8 billion. Asia (principally India and Pakistan) received $2 billion, or about 70 percent. Credits to Africa amounted to $548 million, Western Hemisphere countries borrowed $143 million, and European countries $92 million. Credits for the expansion of transportation facilities amounted to $846 million, over 30 percent of the total net commitments. Agricultural credits at $625 million equaled more than one-fifth of the total.

Since its inception, IDA has brought under cultivation or improvement 22 million acres of land; constructed or improved more than 15,030 miles of roads; and improved railroads, port facilities, and water supplies in many countries.

In FY 1970, IDA approved 56 credits worth $606 million, 63 percent higher than the value of credits extended the previous year. Over one-third of these ($226 million) were agricultural credits. Transportation credits were $144 million.

Pakistan received almost 13 percent of the total FY 1970 credits, the largest of which were for the following: Development banks ($20 million), communications ($15 million), and irrigation and other water projects ($30 million). Sizable credits were received by Tunisia (water supply, $10.5 million), Uganda (highways, $11.6 million), and the United Arab Republic (drainage projects, $26.0 million).

The World Bank Group will undoubtedly continue its high rate of lending for agricultural development as long as agriculture remains the dominant sector of activity for most of its developing members. In many of these countries, significant overall economic growth depends directly on the transformation of agriculture from a subsistence to an income-earning activity through well-conceived, economically sound development projects.

Freedom of Trade In Fats and Oils Is Essential To Exporters And Importers

In 1971, U.S. farmers have indicated they will plant more than 46 million acres of soybeans. This would be a doubling in 12 years. Such spectacular growth is possible only because of expanded world trade.

Thus we look toward a continued long-term growth in our overseas markets for soybeans, as well as feedgrains, cotton, wheat, and other important commodities.

Yet, as we look to the future, we foresee serious trade problems—problems related to market access, to regionalism, and to a decline in multilateral trading—at the very time when the world should be looking toward trade expansion and market growth. Economies are generally growing around the world. Living levels are rising. Expectations are rising. And the United States believes that agricultural products should share in a general growth of world trade.

One thing is sure: If trade in oilseeds is to continue expanding, a viable, dynamic crushing industry will be required. Over the years, we who are concerned with this industry have successfully combined our resources on numerous issues, and we will need to work together in the future as well.

Most countries of Europe enjoy free imports of oilbearing materials. Thus, crushers of many countries have access to world supplies of raw materials. However, while duty-free access to the European Community was obtained during the Dillon Round of 1961, and further modest concessions were gained in Japan in 1966-67, these concessions were paid for by the United States and other exporting countries. We do not take these paid-for concessions lightly. In fact, such moves as taxes on consumption of oilseed products, or trading arrangements that tend to limit consumption or provide market sharing, are inconsistent with our broader emphasis on trade expansion.

We believe that action must be taken now—to liberalize trade and to correct restrictive policies that threaten to expand throughout the world. We ask that the need for change not be obscured by talk of a general negotiation "later on."

Based on paper presented by Assistant Secretary of Agriculture Clarence D. Palmby last month at the 1971 Congress of the International Association of Seed Crushers, in Copenhagen, Denmark.

It may be that a general broad-scale negotiation at a later time will be in the interest of all. But we should not allow that negotiation to get in the way of specific adjustments that are urgently needed in most countries now. Without correction the problem will simply get worse.

The EC's Common Agricultural Policy has been systematically extended to the point where it now covers 95 percent of the value of Community farm production. Countries now considered for membership or association with the Community would enlarge that bloc to the point where it would account for fully half of all world trade.

We all have tried to avoid living in a closed trading world. Ever since World War II, countries have sought, through various institutions, to assure trading rights, fair access to markets, and recourse for grievances. But if these institutions are to be effective in the 1970's, their integrity must be preserved, and their rules respected. For example, the EC's recent decision defining the conditions under which escape clause action can be taken under the fats and oils CAP could be very helpful—but *only* if applied in accordance with the General Agreement on Tariffs and Trade.

We should not delude ourselves by looking for a solution in proposals that would organize the world's producers and allocate markets. As a nation that regards agriculture as a growth industry, the United States does not favor any effort to force farm trade into a historic mold or into a pattern predetermined at some international caucus.

Proposals to organize the world of agricultural trade take various forms. The most familiar one to the oilseed crushing industry is a proposal advanced some years ago to create a commodity agreement to organize the world market for fats and oils.

Too often, exporting countries view commodity agreements as a way to increase prices artificially. Later on they discover that the only way to assure higher prices is through production restraints. And this is painful, if not impossible.

An additional question arises when markets are allocated under a commodity agreement: Who is to process the basic raw material? It is fair to say that this question is usually resolved in favor of the producing country.

For a commodity agreement to stand a chance of success, trade in the commodity must be relatively simple, products nonsubstitutable, and the number of major supplying countries relatively small.

Certainly, these criteria do not apply to fats and oils. There is no major class of commodities where the competing products are more diverse in terms of production, marketing, processing, and sources of supply. Some 20 different kinds of oils and fats move in world trade. Many are byproducts. Their price relationships fluctuate. Moreover, the demand for fats and oils is in no way parallel to the demand for oilseed meals.

An international agreement would therefore be no contribution to world trade in fats and oils. Extensive discussions at international forums appear to support that view.

Instead of trade-restrictive concepts, new thinking should be oriented toward expanding consumption, developing new uses, and especially increasing efficiency to reduce costs of production. This approach will generate more income to all segments of the industry, including producers, and at the same time improve nutritional levels among the world's peoples.

Such an approach will not only benefit the more developed producers, it will also help those developing countries that have the potential for expanded production of oilseeds. For the half dozen or more different oils imported by the United States, for instance, the sources are predominantly the less-developed countries.

In 10 years, per capita consumption of oils in the United States has gone up almost a fifth, with comparable growth

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EC-U.K. Breakthrough in Agricultura

Major issues, including access of New Zealand dairy products to the U.K. market and the U.K. contribution to the EC common agricultural fund, were settled in a series of negotiations in June. This opened the way for British membership in the EC, dependent on formal acceptance by the British Parliament. Negotiations are now being accelerated with other EC applicants—Ireland, Denmark, and Norway.

Britain's contribution to the EC common agricultural fund, which is used primarily for price supports, export subsidies, and farm structural adjustments, was settled on a structured basis for the 5-year transition period (1973-77).

Britain is to pay 8.64 percent of the total fund in 1973 and 18.92 percent in 1977. After this, Britain will be given 2 more years (1978-79) during which a ceiling will limit the increase in the U.K. share. After 1979 there is to be no limitation on contributions, and the United Kingdom, as any other member of an enlarged EC, would turn over to the fund all fixed duty and variable revenues, plus a specified percentage of the TVA (tax on value added) after deduction of indicated allowances for collection costs by the individual countries.

The size of the common agricultural fund for the 1973-77 transitional period has not been determined, but earlier estimates placed the amount needed by present EC members for 1971 at $3.2 billion. Future requirements will depend mainly on EC agricultural price policies and the relationship of EC prices to world prices; the level of EC production for export to non-EC areas; and future EC programs for structural adjustments.

Each country, including the United Kingdom, is to be reimbursed from the common agricultural fund for expenditures on programs eligible for such payments. The United Kingdom has reportedly received approval for special subsidies for hill farming (farming in mountainous areas). It is expected that this will pave the way for larger EC expenditures on structural adjustments and the solution of special farm problems in other EC countries.

The United Kingdom will be a large net contributor to the fund, especially concerning price supports for production in France, the Netherlands, and eventually Denmark. The largest expenditures to date from the fund by present EC members have been for price supports and export subsidies for grains, rice, and dairy products.

The United Kingdom is expected to be a large importer of EC dairy products and perhaps grains and other products at high EC prices. This would serve to reduce funds needed for price support and export subsidies of these products unless EC production is increased to such an extent that the high level of exports to non-EC areas is maintained or raised.

A second major breakthrough in the June agreements concerns the problem of British dairy imports. New Zealand, which presently exports the bulk of its dairy items to Britain, will be able to continue selling its products to the U.K. market through the transitional period at gradually decreasing guaranteed minimum prices and quantities. The total amount of butter and cheese guaranteed in the fifth year (in terms of milk equivalent) is 71 percent of the base year—presumably 1972. The figures set are 80 percent for butter and 20 percent for cheese. The minimum guaranteed prices are to be based on the average of 1969-72 sales to Britain.

No guarantees are to be given on cheese after the transitional period, and the butter situation reportedly will be reexamined by the enlarged EC in 1975 and decisions made to insure continued special arrangements for New Zealand butter beyond the transition period.

The United Kingdom accounts for over one-half of total world imports of dairy products, taking about two-thirds of the world trade in butter and 25 to 30 percent of the cheese trade. The United Kingdom imports nearly all butter and cheese exported by New Zealand, Australia, and Ireland, and takes important percentages of the butter and cheese exports of Finland, Poland, and the EC. Canada and Denmark also supply the U.K. market.

As a result of the EC-U.K. agreement these current U.K. suppliers, especially New Zealand, Australia, Canada, and Finland, are expected to make greater efforts to increase exports to areas other than the United Kingdom.

Concerning the fisheries question, the EC and applicant countries are to meet in July in an attempt to reach agreement.

Prior to the June breakthrough, the

USSR Take

Soviet wheat trade took another unexpected turn last month. The USSR not only agreed to take the 1 million tons of Canadian wheat remaining on the 1966 long-term contract but purchased an additional 2 million tons of Canadian wheat to be delivered by the end of 1972.

It is estimated that Soviet purchases of Canadian wheat will amount to 2.5 million tons in the 1971-72 marketing

SOVIET PURCHASES COMPARED TO IMPORTS OF CANADIAN WHEAT,[1] 1963-72

Year, beginning July 1	Purchases[2]	Imports[3]	Difference
	Mil. metric tons	*Mil. metric tons*	*Mil. metric tons*
1963	5.87	4.65	1.22
1964	1.69	.93	.76
1965	5.17	5.17	—
1966	2.95	2.71	.24
1967	2.16	1.37	.79
1968	.42	.15	.27
1969	1.83	1.10	.73
1970	1.27	(.80)	.47
1971	2.48	(1.50)	.98
1972	.62	(.40)	.22
Total	24.46	18.78	5.68

[1] Includes the wheat equivalent of flour. [2] Purchase amounts for contract periods were adjusted to fiscal years on the basis of average monthly shipments. [3] Figures are from the International Wheat Council, except for those in parentheses, which are extrapolated from past import-purchase relationships.

egotiations

Chief negotiators for the United Kingdom and the EC—Jeoffry Rippon, left, and Maurice Schumann, right respectively—announce new EC-U.K. accord.

EC and United Kingdom had agreed on other important agricultural aspects, including U.K. sugar imports, status of other Commonwealth members, and U.K. acceptance of EC common external duties, variable levies and common agricultural prices (*Foreign Agriculture,* June 7, 1971).

anadian Wheat Despite Own Bumper Crop

year—the largest annual purchase since 1966-67.

The 2.5-million-ton wheat sale is not related to any apparent increase in Soviet domestic needs. The USSR had a bumper wheat harvest in 1970, and Government procurements are estimated nearly as high as those following the record 1966 crop. Incidentally, with a record wheat crop in prospect in June 1966, the USSR signed a 3-year agreement with Canada to purchase 9 million tons of Canadian wheat.

Two facts should be remembered in thinking about Soviet wheat purchases. First, purchases are not necessarily the same as imports—some purchased wheat goes to third countries. Second, Soviet wheat imports are small compared to exports. By far the largest wheat producer in the world, the USSR ranks high among the major exporters.

The relations between USSR Government procurement, imports, and exports are shown on the accompanying table. It shows that with two unusually bad wheat crops and low procurements in 1963 and 1965 the USSR became a large net importer. Most of the surplus wheat from the record 1966 Government procurements went to rebuild stocks, and net exports were modest. Since then the high level of production and procurement has enabled the USSR to accumulate large stocks and to again become a substantial net exporter of wheat.

A second table shows the differences between Soviet wheat purchases and wheat imports from Canada. The differences are largely explained by the fact that the USSR purchases foreign wheat and flour for Eastern Europe, Cuba, the United Arab Republic, and other countries. In other words, purchases represent financial flow while imports represent physical flow.

Since 1963 the USSR has bought almost 25 million tons of Canadian wheat; but it is estimated that between 5 million and 6 million tons of this wheat was, or will be, delivered to third countries.

Of the 2.5 million tons of Canadian wheat the USSR will acquire in 1971-72, about 1 million tons will probably go to meet the usual combined requirements of the Soviet Far East and Cuba. It is cheaper for the USSR to ship wheat from Canada to these areas than to transport grain from its own wheatlands. Most of the remainder of the 2.5 million tons of Canadian wheat will probably be shipped directly to the northern countries of Eastern Europe or will replace Soviet wheat exports to Eastern Europe. By DONALD CHRISLER

Foreign Regional Analysis Division
Economic Research Service

SOVIET GOVERNMENT WHEAT SUPPLY [1] AND UTILIZATION, 1963-70
[Year beginning July 1]

Trade and supplies	1963	1964	1965	1966	1967	1968	1969	1970 [2]
	Mil. metric tons	*Mil. metric tons*	*Mil. metric tons*	*Mil. metric tons*	*Mil. metric tons*	*Mil. metric tons*	*Mil. metric tons*	*Mil. metric tons*
Exports:								
Eastern Europe	0.9	0.8	1.9	2.8	3.5	3.5	3.7	5.5
Others	.4	.4	.3	1.3	2.1	1.9	2.2	2.0
Total	1.3	1.2	2.2	4.1	5.6	5.4	5.9	7.5
Imports:								
Canada	4.6	.9	5.2	2.7	1.4	.2	1.1	.8
Others	4.7	1.2	3.5	.2	.1	—	—	—
Total	9.3	2.1	8.7	2.9	1.5	.2	1.1	.8
Net trade [3]	+8.0	+.9	+6.5	−1.2	−4.1	−5.2	−4.8	−6.7
Government procurements	22.7	38.7	21.8	56.8	38.2	49.0	36.1	54.0
Government availability	30.7	39.6	28.3	55.6	34.1	43.8	31.3	47.3
Domestic requirements	33.0	33.3	33.7	34.0	34.3	34.7	35.0	35.4
Apparent stock changes [3]	−2.3	+6.3	−5.4	+21.6	−.2	+9.1	−3.7	+11.9

[1] Includes the wheat equivalent of flour. [2] Preliminary. [3] Minus signs denote net exports and withdrawals from stocks; plus signs indicate net imports and additions to stocks.

EC Holds Agricultural Discussions

At a meeting of the European Community (EC) Council of Agricultural Ministers held on June 14, several issues were resolved, including the question of canned tomato imports from Greece, and the CAP on milk.

The Ministers decided that the question of canned tomato imports from Greece part of the larger issue of minimum import prices for canned fruit, is to be resolved through bilateral negotiations with Greece. Greece's alleged subsidies on canned tomato products allow these items to be offered to the EC at prices 35-40 percent lower than Italian or other supplying countrys' products.

Under the EC-Greece Association Agreement, Greece can be required to observe a minimum export price. The Commission will also be empowered to undertake negotiations with other supplying third countries, especially Portugal.

At the meeting the Ministers also decided that liquid milk for direct human consumption will be brought within the dairy CAP on March 31, 1972, permitting free trade between member states. However, Italy will have a waiver until the end of 1973, and imports into any member state must meet national health requirements.

The Council also adopted, in final form, regulations concerning veterinary restrictions; fixed base and purchase prices for lemons, tomatoes, peaches, and grapes; amended the intervention system for pork; fixed the annual tariff quotas for 20,000 head of mountain cattle and 5,000 head of Alpine cattle; and discussed measures to prevent the spread of animal diseases.

U.K. Sets Cattle, Beef MIP Levels

The U.K. minimum import price (MIP) levels and levy arrangements to be applied to imports of fat cattle and beef became operational on July 3, 1971. Under the system, a scale of weekly standard prices based on the annual guaranteed price for fat cattle of US$26.46 per 100 pounds will continue.

The new arrangements introduce a scale of weekly minimum import prices which will be $4.29 per 100 pounds below the weekly standard price. If the market price is below the MIP price, levies will be charged for the following week on imports of fat cattle and beef.

For fat cattle, the rate of levy will be the difference between the weekly average market price and the weekly minimum import price. Separate weekly MIP's for 10 categories of beef and veal will each bear a constant relationship to the MIP for fat cattle.

If the market price is at or above the target price (which is also the MIP) but below the standard price, a deficiency payment is made to the producer in an amount equal to the difference between the market and standard price for that week. However, if the market price is at, or above, the standard price no deficiency payment will be made for that week. When the market price falls below the target price the producer can receive as deficiency payment no more than the difference between the standard price and the target price of a maximum of US$4.29 per 100 pounds.

India Increases Levy On P.L. 480 Cotton

The Government of India has imposed a levy of Rs300 (US$40) per bale on P.L. 480 cotton imported during the next few months to help pay for an incentive bonus to mills to stimulate their production of low-priced, price-controlled cloth for India's large population. It is expected that similar levies, to be determined at a later date, will also be applied against imports of all other foreign cottons.

The new levy is in addition to an existing levy of Rs150 (US$20) per bale on imported P.L. 480 cotton, which is collected to promote textile exports. Under the new program, about 6.5 cents per square meter will be paid to those mills producing price-controlled cloth in excess of the required 25 percent of the mill's total capacity during June-August 1971.

The bonus program is expected to cost about Rs52.5 million (around $7 million).

Japan's Farm Output Declines

Japan's agricultural production in 1970 showed a 2.1 percent decline from 1969, according to a preliminary index issued recently. The planned cutback in rice production was chiefly responsible for the overall decrease, although production of other crops (except pulses and fruits) also declined.

Production of livestock and products was 11.2 percent above the 1969 level, mainly because of a 22.5 percent rise in pork production and a 17.4 percent increase in beef output.

Australia Speeds Exports to U.S.

The Australian Meat Board announced on June 10 that it was lifting all restrictions on shipments of beef and mutton to the U.S. market because of an anticipated longshoremen's strike in U.S. ports later this year.

Australia's voluntary restraint level for 1971 is 560.3 million pounds. Through April of 1971, U.S. imports of meats from Australia subject to the Meat Import Law totaled 117.6 million pounds or 21 percent of their 1971 commitment.

Prior to June 10, Australia's restriction on meat exports to the United States consisted of a diversionary program whereby an exporter had to ship one ton of beef to other markets in order to be entitled to ship 1.75 tons to the United States. To ship one ton of mutton to the U.S. market, 3 tons had to be exported by the Australian shipper to other markets.

Japan Imports Pork

The Japanese Ministry of Agriculture and Forestry announced on June 10 that it has decided to permit the importation of an additional 10,000 metric tons of pork as an emergency step to hold down rising meat prices on the local market. The regular duty of 10 percent ad valorem will be waived for these imports. It is expected that the pork will be imported from the United States, Canada, Taiwan, and Australia in late June or early July.

Norway To Finance Farmers' Vacations

A recently passed Government-financed vacation scheme makes Norway the first country in the world to grant paid vacations to farmers.

Effective July 1, full compensation—the equivalent of US$140 for a 2-week period—is to be paid to farmers receiving 80 percent or more of their total income from farming. No compensation will be paid to those earning 20 percent or less from farming. A linear scale between these two points will decide compensation level.

Farmers will be paid after submitting a written declaration that the money will be used for vacation purposes with details on how the vacation will be arranged, including farm operator replacement plans. The scheme will be financed through a Vacation Fund which will be based on Government appropriations.

Reports indicate that many farm operators, particularly older ones, will either not be sufficiently motivated towards taking a vacation or not in a position to make use of the scheme. Therefore, it has been decided that unused funds will remain in the Government's Vacation Fund and used for other measures designed to enable farmers to take vacations, such as the establishment of cooperatives to relieve farm operators for certain definite periods during the year.

Yugoslavia Revises Farm Import List

Yugoslavia now requires special import permits for only 23 agricultural commodities, or groups of commodities, according to an official list released early last month. Three years ago the list included some 161 commodities. Items still included on the new list are: Certain fruits and fruit juices (including citrus), figs and nuts, tea and pepper, certain oilseeds (excluding soybeans), cocoa products, and raw cotton.

Of these, only cotton has been significant in U.S. trade with Yugoslavia in recent years, amounting to $6.7 million in fiscal year 1969. U.S. farm exports to Yugoslavia totaled $42.3 million in calendar 1970 consisting mainly of soybean meal and hides and skins.

Japan Announces Economic Program

The Japanese Government recently announced an eight-point economic program designed to help cope with the growing pressure from abroad for yen revaluation and trade and investment liberalization. The program includes:

- Reducing the number of quota items to 40 by September as planned, and increasing quotas for the remaining restricted items (which include fruit juices, beef, pulses, and tomato products).
- Initiating a tariff preference scheme for less developed countries effective on August 1.
- Reducing import duties (these are particularly high on processed food items).
- Further capital liberalization.
- Removing nontariff barriers as far as possible.
- Expanding economic aid to less developed countries, including development of resources (part of their continuing effort to diversify sources of supply).
- Gradually terminating the export promotion tax system, examining the possibility of an export-import banking system for the promotion of imports, and promoting orderly export marketing of products.
- Operating fiscal and monetary policy more flexibly, with special emphasis on increasing social overhead capital.

EC Adds Charge to Import Grain Levy

The European Community Commission has added a premium, which will vary monthly for corn and sorghum to all import levies fixed in advance of arrival. This action was taken because the Commission does not feel current forward c.i.f. offer prices accurately reflect world market conditions, and therefore wishes to prevent speculation. At the same time, however, this measure is likely to have the effect of increasing the cost of imported corn and sorghum to consumers in the European Community.

USDA Licensed Dairy Import Report

The only large shortfall in U.S. imports of cheese and other dairy products during calendar 1970 was in Italian-type cheeses, according to a preliminary USDA report on such imports against licenses under import Regulation I, Revision 5 (as amended).

Import quotas and licensing requirements are in force under Section 22 of the Agricultural Adjustment Act, as amended, on certain dairy products to prevent material interference with the dairy price support program.

Imports of Italian-type cheeses were only 57 percent of allocations. Export availabilities were low in Argentina because of severe drought conditions in milk producing regions. Italy has a pesticide residue problem which impeded exports.

The shortfalls in the so-called price break cheeses, Emmenthaler, Gruyere-process, and other cheeses, were due in large part to the general increase in export prices allowing the major part of the exportations of these cheeses to be entered outside of the quota by reason of pricing at 47 cents or more.

The 6,000-pound quota on malted milk and the 500-pound quota on dried cream were not used.

Several dairy quotas are not subject to licensing, but are administered on a first-come, first-served basis by the Bureau of Customs. Imports under these quotas in 1970 were listed in the report as follows:

- Butteroil—the quota of 1,200,000 pounds was filled.
- Frozen cream—1,292,828 gallons of the 1,500,000-gallon quota were imported.
- Articles containing over 5.5 percent but under 45 percent by weight of butterfat—the 2,580,000-pound quota was filled.
- Condensed milk in airtight containers—1,576,147 pounds of the quota of 4,074,000-pounds were imported.
- Other condensed milk—the 5,000-pound quota was not used.
- Evaporated milk in airtight containers—1,231,266 pounds of the 1,312,000-pound quota were imported.
- Cheddar cheese made from unpasteurized milk and aged not less than 9 months—the 1,225,000-pound quota was filled.

CROPS AND MARKETS

Grains, Feeds, Pulses, and Seeds

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	July 7	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	1.96	−1	1.98
USSR SKS-14	1.89	−1	(1)
Australian FAQ	1.78	0	1.75
U.S. No. 2 Dark Northern Spring:			
14 percent	1.96	−1	1.87
15 percent	1.99	−3	1.96
U.S. No. 2 Hard Winter:			
13.5 percent	1.87	−1	1.78
No. 3 Hard Amber Durum	1.80	0	1.82
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	1.78	+2	1.65
Feedgrains:			
U.S. No. 3 Yellow corn	1.74	−2	1.68
Argentine Plate corn	1.81	−1	1.74
U.S. No. 2 sorghum	1.64	+1	1.43
Argentine-Granifero sorghum	1.64	+2	1.45
U.S. No. 3 Feed barley	1.30	0	1.16
Soybeans:			
U.S. No. 2 Yellow	3.56	+7	3.26
EC import levies:			
Wheat	1.39	0	1.40
Corn [2]	.71	+2	.73
Sorghum [2]	.84	−5	.81

[1] Not quoted. [2] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

Dairy and Poultry

Greek Poultry Output Up, Imports Down

Greece's 1970 poultry meat production is estimated at 61,400 metric tons, 5.3 percent greater than in 1969. Chicken meat, at 59,000 tons last year, represents by far the major type of poultry meat produced. Broiler slaughter reportedly reached 34.3 million head, up 15 percent from 1969.

Imports of frozen poultry meat in 1970 were down about 45 percent from a year earlier. Of the total 4,108 tons imported, 3,406 tons was broiler meat, with the U.S. share at 30 percent compared with only 3 percent of broiler meat imports in 1969. The U.S. subsidy program for whole chicken exports to Greece, which was responsible for the 1970 gain, was begun in 1969 to permit U.S. exporters to compete against subsidized competition from the European Community and Denmark. Imports of broilers from France dropped from 1,320 tons in 1969 to 941 tons in 1970, while Denmark's share declined by almost 80 percent to 497 tons.

During 1970, the total import levy on broilers originating in the Common Market was $385 per metric ton (tariff plus supplemental duty), while the total assessment on imports from the United States and other countries not in the European Community was $412 per ton.

Present indications, according to Government data, are that consumption of poultry meat in Greece may be stabilizing. Total consumption in 1970 at 65,508 tons was down slightly from a year earlier, with the per capita rate at about 15.4 pounds. This condition prevailed although poultry meat prices remained steady under Government control while prices of other meats were allowed to rise.

If, as reported, the consumption rate is leveling off, and domestic output is increasing, the outlook for exports of poultry meat to Greece is not favorable. On May 1, 1970, the fourth increment (5 percent) in Greece's tariff reduction on imports of poultry meat from the EC countries became effective, lowering the tariff on broilers to $144 per metric ton, and the total assessment from $385 per ton to $376. This action will place U.S. broiler meat at a further disadvantage over EC sources.

The duty-free status for certain feedstuffs, including tallow imported for livestock and poultry feeds, in effect for the first half of 1971, was expected to be extended for the second half of the year.

Tobacco

Rhodesia Announces Tobacco Target

The Rhodesian Minister of Agriculture recently announced to the Rhodesian Parliament an increased national crop target for tobacco of 132 million pounds for 1971–72 at a guaranteed average producer price of 32.2 cents per pound. He also announced 1972–73 and 1973–74 targets of not less than 120 million pounds each, also at a guaranteed average price of 32.2 cents per pound.

For the current crop, growers have been guaranteed 32.2 cents for the first 120 million pounds, plus 21 cents for an additional 12 million pounds. In 1972 the growers will receive the full 32.2-cent guarantee for 132 million pounds.

In order to prevent producers from placing low-quality tobacco under loan, the Minister also announced a quality incentive bonus. This program will apply only to those farmers

whose sold tobacco is less in volume than the final marketing quota allotted to them. The formula for calculating the incentive bonus is: 45 percent of the individual's gross income from his sold tobacco, multiplied by the percentage of his shortfall but not exceeding 10 percent.

Cotton

U.S. Cotton Exports Higher

Exports of U.S. cotton in the first 10 months (August-May) of the 1970-71 season totaled 3,220,000 running bales, a substantial increase over the 2,313,000 bales of the previous season. Total 1970-71 cotton exports are now expected to be about 1 million bales above the 2.8 million bales that were shipped in 1969-70.

Exports in May 1971 totaled 327,000 bales, compared with 467,000 bales in April and 299,000 bales in May 1970.

U.S. COTTON EXPORTS BY DESTINATION
[Running bales]

Destination	Year beginning August 1				
	Average 1960-64	1968	1969	Aug.-May 1969	Aug.-May 1970
	1,000 bales	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*
Austria	23	0	0	0	0
Belgium & Luxembourg	121	30	19	17	42
Denmark	14	1	[1]	[1]	[1]
Finland	17	3	6	6	2
France	319	88	30	28	55
Germany, West	269	31	26	23	62
Italy	345	62	46	43	49
Netherlands	110	19	19	16	33
Norway	13	5	1	1	3
Poland	125	106	51	51	0
Portugal	21	8	2	2	4
Romania	2	0	46	46	33
Spain	74	5	4	4	18
Sweden	81	51	37	36	27
Switzerland	74	32	15	13	33
United Kingdom	244	48	38	33	78
Yugoslavia	112	54	0	0	2
Other Europe	15	7	4	3	13
Total Europe	1,979	550	344	322	454
Algeria	9	27	11	10	26
Australia	61	0	[1]	[1]	7
Bolivia	7	0	0	0	0
Canada	353	108	181	153	252
Chile	18	[1]	1	1	1
Congo (Kinshasa)	6	0	0	0	0
Ethiopia	9	9	1	1	2
Ghana	1	17	27	27	37
Hong Kong	148	194	61	51	187
India	314	174	261	167	167
Indonesia	40	105	242	190	112
Israel	15	1	[1]	[1]	2
Jamaica	4	2	2	2	3
Japan	1,192	536	623	560	779
Korea, Republic of	261	447	455	380	422
Malaysia	1	6	6	5	10
Morocco	12	19	28	16	20
Pakistan	14	1	16	9	1
Philippines	123	119	146	98	93
Singapore	1	3	2	2	11
South Africa	41	9	4	3	17
Taiwan	209	259	193	163	362
Thailand	34	66	54	42	125
Tunisia	2	0	5	5	0
Venezuela	8	[1]	[1]	[1]	9
Vietnam, South	46	62	99	99	102
Other countries	16	17	6	7	19
Total	4,924	2,731	2,768	2,313	3,220

[1] Less than 500 bales.

Fruits, Nuts, and Vegetables

Expansion of Fruit Growing in Chile

The World Bank is planning to lend the Government of Chile \$4-\$5 million for diversified fruit growing. Table grapes, plums, apricots, and avocados will be among the fruits to be grown. Much of the production is intended for off-season export to the United States with additional sales to Western Europe.

Crops and Markets Index

World Fats and Oil Trade

(Continued from page 9)

in other industrialized nations. Use potentials, while they are being realized more slowly, are even greater in the developing countries.

Freedom to trade is basic to this growth. Oilseeds move more freely than grains into the world's major markets. This fact has been of great mutual benefit to both producers and consumers—with not the least benefit going to the crushing industries of the importing countries.

A decade ago we were on the brink of a sharp increase in trade in vegetable proteins for animal feeds. A decade from now, will we be prepared for a new expanding market for edible proteins for human consumption? Or will trade barriers limit us in developing this new outlet?

We in the United States are dedicated to the idea that future trends be liberal rather than increasingly restrictive. In the long run, this is to the benefit of all—as we move toward a future where the oilseed, with its unique and valuable properties, should encounter a growth in demand that is almost unlimited.

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Japan's Processed Food Imports (Continued from page 4)

problem consists not only of convincing the consumer to buy the product, but also to convince wholesalers, subwholesalers, and retailers they can make money handling the product.

Introduction of new food products into the institutional market normally does not present nearly as many problems nor require as large an investment as it takes to break into the consumer market. Growing labor shortages in Japanese hotels, restaurants, and other institutional outlets have resulted in the widespread use of institutional packs of consumer-ready foods. Once a processed food is moving well in the institutional market, the task of convincing wholesale and retail consumer trade representatives to handle the item becomes easier.

The trend toward more restaurant eating and the booming tourist business are presenting some very attractive market opportunities.

As a result of strong domestic and foreign pressures, the Japanese Government is taking some positive steps to reduce the number of commodities on the residual import quota list. Unfortunately, higher import duties are being applied on some items effective the date of liberalization. This will, of course, limit the trade benefits resulting from removal of the quota restriction.

Items liberalized on January 1, 1971, included macaroni, spaghetti and similar products, corn flakes, puffed rice and similar products, and cake mixes.

Labor shortage cuts local production.

Additional items, including fresh grapefruit, soybean meal, vegetable oils and sausages, were liberalized by the Japanese on June 30, 1971. Biscuits, crackers, cookies, mashed potatoes and potato flakes, canned corn, and pork are scheduled to be liberalized in September 1971.

The current frozen food boom in Japan offers considerable opportunity for the U.S. industry. Present frozen vegetable imports include sweet corn, potatoes, asparagus, peas, lima beans, and mixed vegetables. The import duty on all frozen vegetables is a moderate 10 percent ad valorem. Other imported frozen items that are selling well are chicken and turkey meat, beef and pork specialty items, weiners, and sausages.

U.S. canned fruits such as cling peaches and fruit cocktail have sold well on the Japanese market in recent years. There is a good "prestige market" for certain imported canned goods with a foreign label. The trend, however, seems to be toward long-term supply agreements between Japanese firms and foreign suppliers under which a large volume of fruits will be canned and the Japanese label applied by the supplying firm.

Recently, many Japanese consumers have become very interested in health foods, especially low calorie items. Few of these diet foods are now produced locally, and imports will be necessary to satisfy the demand.

Gift packs containing nuts, cheeses, jams and jellies, and honey are also big sellers, particularly in December and June when Japanese workers receive their semiannual bonuses.

To evaluate the current and future markets for U.S. products and to develop effective export strategies and techniques, U.S. exporters are urged to make an on-the-scene market survey for their foods at an early date.

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